

# SILVERFINGER

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IN THE SUMMER of 1979, an invisible hand reached out from an island in the Atlantic and quietly began tightening its grip on the world's supply of silver. The fingers of that hand extended to London, New York, Dallas, Zurich and Jidda. But the only visible clue to its existence was a newly formed Bermuda shell corporation called International Metals Investment Company Ltd. That dull sounding little trading company was not just another offshore tax scam but the operating front for a secret partnership seemingly capable of controlling the world price and supply of silver.

Appropriately enough, two of the principals in that cosmic alliance were Saudi Arabian businessmen with connections to the Saudi royal family. But another principal, the real genius behind the deal, was an American oil billionaire, the head of a clan sometimes referred to as "the royal family of Texas." Though not quite as rich as the Saudi royalty, this man was one of the few private individuals in the world capable of playing in the same league. A lover of intrigue, in the past he had made international headlines with his mysterious wheeling and dealing. Before long, he would again blaze across the front pages. But for the time being, he remained in the shadows, operating behind the corporate veil of International Metals. His name: Nelson Bunker Hunt.

"He wins and loses millions in his everyday dealing, but he'll search for fallen change in chair cushions."

In that same summer, just before the price of silver, exploded, an extraordinary invitation went out from Dallas to most of the better known Texas millionaires. The invitation informed recipients, "You, together with your wife or husband if convenient, are cordially invited to be our guest at a very important meeting that could help determine the destiny of civilization." The invitation went on to promise that participants would "hear and discuss plans and strategies that are not only having a profound moral and spiritual impact upon many nations but are also a critical deterrent to the avalanche of evil that is threatening to engulf the world."

As revealed on the front of the invitation in black letters, the sponsor of that urgent conference was Here's Life, a branch of the controversial and archconservative Campus Crusade for Christ. The host committee list included such luminaries as Roy Rogers, former Nixon patron W. Clement Stone, two U. S. Senators, the cofounder of Holiday Inns and the owner of the Dallas Cowboys.

*Also listed on the host committee was a scion of one of right-wing Christianity's most prominent families-a man whose image could hardly be called charitable. But his philanthropy had made the headlines on one occasion: the day back in 1977 when he had publicly pledged to help raise one billion dollars for Campus*

*Crusade. Now, by contributing his letterhead and his money to Here's Life, he was fulfilling his pledge. His name: Nelson Bunker Hunt.*

Silver and salvation, two apparently unrelated commodities, are vitally intertwined in the prodigious person of Nelson Bunker Hunt. As the son of the late H. L. Hunt, the eccentric and irascible Texas oil billionaire, Bunker is still driven to prove himself a moneymaker in his old man's image. But his great silver play of 1979-1980, like many of his other dealings in the past decade, is not only the expression of his desire for gain; it is also a fundamental expression of his world view, one that is usually labeled archconservative. Like his father before him, Bunker Hunt envisions an international Communist conspiracy and the Eastern-liberal-establishment-Rockefeller-CIA conspiracy. For reasons that are alternately well founded and fantastical, he believes himself and his family to be victims of both. Even more fundamentally, he possesses a vision of the apocalypse, a conviction that the world is heading down the road to doom.

True to family tradition, Bunker Hunt does not intend to sit idly by while catastrophe descends upon the planet. For him, hoarding silver is not just his way of hedging inflation: It is also part of his attempt to create his own independent economy, his own money. The government treasuries of the world used to be the ones to issue currencies backed by precious metals. Like the United States, most countries have long since ceased that practice. Bunker has been trying to revive it for himself and his silver buying partners. Hoarding silver is part of his scheme to replace paper with something of "real" value. It is his hedge against the "avalanche of evil" he fears is engulfing the world. Ironically, it was also what brought about a personal and public financial apocalypse of the first order.

The story of Nelson Bunker Hunt is the story of his money. Along with his brothers and sisters, he controls what may well be America's largest family fortune. Since the Hunt wealth is privately held, there are no published balance sheets for the empire as a whole. In addition, arriving at an exact determination of the family wealth is complicated by varying appraisals that can be given to real estate and oil properties, and by discount factors that must be figured in because of certain asset illiquidity. But according to inside sources and those figures that are publicly available, the so-called first family of H. L. Hunt controls assets that were worth roughly 12 to 14 billion dollars when the price of silver peaked in January of this year. The flagship of the family wealth is Placid Oil; the world's largest privately owned Oil Company, with reserves worth in excess of six billion dollars. But the family also has extensive holdings in coal, real estate, cattle, sports teams and, of course, silver.

Since silver's crash, the family's asset worth has depreciated to the eight-to-ten-billion-dollar range. The Hunts have also taken on a considerable amount of debt. In addition to multibillion dollar borrowing done in the normal course of business operations, the silver play alone has added roughly one and three quarter billion dollars to their liabilities, which itself exceeds the amount of the much publicized Government guaranteed loan to beleaguered Chrysler Corporation. Nevertheless, it is a good bet that these Hunts would still come out at least three to five billion dollars ahead if all their assets and all their debts were liquidated tomorrow.

Strictly speaking, Bunker Hunt has a personal claim on about three to six billion dollars' worth of the family wealth. The rest is divided among his sisters, Margaret Hunt Hill and Caroline Schoellkopf, his mentally ill brother Hassie and his two active brothers, W. Herbert and Lamar. The major parts of Bunker's personal holdings are a 20 percent share of Placid Oil, which is owned by his trust; a one-third share of Penrod Drilling, which he owns in partnership with Herbert and Lamar; at least 50 percent of the family's more than 100,000,000 ounces of silver, which he owns in partnership with Herbert; a sizable share of the family's choice real estate holdings; and nearly 1000 thoroughbred race horses. Bunker also carries a considerable portion of the family's debt, including an estimated \$500,000,000 worth incurred as a result of his silver play.

While his individual holdings make him the richest (if not the most liquid) of H. L. Hunt's heirs, they represent only a fraction of the total wealth at his command. All his family's holdings operate beneath the umbrella of Hunt Energy Corporation. Each of Bunker's four active siblings sits on the board of directors of Hunt Energy, and each has his or her own bailiwick. But the chairman of Hunt Energy and the leader of the family is Nelson Bunker Hunt.

The successor to old H. L.'s myth as well as his money, Bunker is the kind of Texas character who is often described as "larger than life," then is pigeon holed in the smallest of stereotypes. He has been compared to the obstinately independent Jett Rink of Edna Ferber's *Giant* and to the unremittingly evil J. R. Ewing of the CBS television series *Dallas*. In a slightly kinder comparison, someone once said that he was "like Burl Ives playing Bunker Hunt in a Tennessee Williams play." In light of his recent silver exploits, however, it might be more appropriate to describe him as an Ian Fleming character come to life: Nelson Bunker Hunt is Silverfinger.

The truly fascinating thing about him, of course, is that he is a character no novelist could invent. Like his father, Bunker is a man who believes that the rules that apply to ordinary people simply do not apply to him. But he does not smoke or drink and he does his gambling at the office, not at the card table or the bettors' windows at the racetrack. Although he wins and loses millions in his everyday wheeling and dealing, he will search for fallen change in the cushions of chairs and couches as feverishly as if he were searching for the world's largest silver vein. He lives in a French provincial mansion in the most exclusive section of Dallas, but he drives a seven-year-old Cadillac and flies commercial airlines-usually tourist class.

He has been known to negotiate to the last penny on conventional oil deals ("He doesn't just want to make a good deal for both sides, he wants the other guy to bleed," says one former associate), but he has committed himself to such non conventional projects as an expedition to find Noah's ark, an attempt to salvage the Titanic and a venture in manufacturing two passenger helicopters that literally never got off the ground. He has been photographed with the Queen of England, has done business with Saudi royalty and heads of state all over the world but is down home enough to talk with horse trainers and ranch hands as if he were their next door neighbor.

"H. L. could find more oil with a road map than Bunker could find with a platoon of geologists."

Time and again, Bunker has echoed the almost wacky anti-Semitism formerly attributed to his father. He jokingly refers to one of his lawyers as "Super Jew" and recently told a reporter that he was not prejudiced against Jews but added, "They are a little different, like a Chinaman or whatever is different; you do have to say that." One of those differences, in Bunker's view, is intelligence. He definitely believes that Jews are smarter than everyone else, and he is not above using their smarts when it is to his business advantage. As he told one associate. "Never look a gift Jew in the mouth." Despite such retrograde sentiments, one of Bunker's very best friends in Dallas is M. B. Rudman, a flamboyant Jewish oilman who wears flashy clothes and plumed hats and runs an exercise ranch often populated by attractive young ladies.

Unlike his prolific father, Bunker does not have any secret families. He and his wife, Caroline, have four children, three grandchildren and a rather prudish social image. However, former aides and acquaintances confirm that he definitely has an eye for the ladies, and he has been seen in the company of such lovelies as actress Ursula Andress.

Bunker's most obvious excess is food. In the past few years, he has ballooned to as much as 300 pounds, but he continues to indulge in favorite delights such as cheeseburgers, chocolate milk, pies and, most of all, ice cream. But despite his hefty size and his tendency to be a heavy sleeper, he is full of energy and is remarkably light on his feet; he tries (with varying success) to maintain a regimen of jogging and racquetball.

He runs his empire with the help of a vice president who is a former FBI agent. He does not, however, travel with a bodyguard and he lists both his home and his office telephone numbers in the Dallas directory.

Asked about his apparent casualness, he replies, “Why should I worry? Worrying is for people with strong intellect or weak character.”

Although he sometimes comes off as a fat, squinty eyed bumbler, he is sharp and crafty and gifted with the same natural mathematical mind his father had. He can, for example, reel off the bloodlines and racing statistics of his horses and the depths and production figures of his oil wells as if he were reading from a book. He also has extraordinary bursts of creative vision. “Bunker has flashes just like the old man used to have,” says one family member. “Sometimes he’s brilliant. The rest of the time you wonder whether he’s really there with you or not.”

Excited by those ventures that offer big risks and big rewards, he has both his father’s gambling instinct and his unquenchable drive to acquire and acquire until he dominates whatever field he is in. As a former colleague remarked in reference to Bunker’s dealings in everything from horses to silver, “He doesn’t just want some of it. He wants it all.”

Central to Bunker’s motivation is the view of money he inherited from his old man. “Money,” he once said in an interview, “never really meant anything to me. It was just something that if you wanted to spend it, you would have it. My father never really cared about money, either. It was just sort of how they kept the score in life, in business.”

Demonstrating proficiency as a moneymaker was a way for H. L.’s children to win their father’s fickle attention. For that reason, Bunker and all the rest of his siblings learned at an early age to value all 100 pennies in every Hunt dollar. Their greed, such as it is, does not result from mere financial cravings but from an emotional quest for both love and money.

In his early years, Bunker did not have an easy time getting either one. Born in El Dorado, Arkansas, on February 22, 1926, he grew up in the shadow of his father’s legend. In addition to being a gambler, an oil billionaire, a health fanatic and a right-wing propagandist, H. L. Hunt sired 15 children in three separate families.

He began his first family in ordinary fashion by marrying Lyda Bunker Hunt, who was Bunker’s mother. He also, however, began secret families with Frania Tye and Ruth Ray while he was still married to and living with Lyda. After Lyda died, H. L. married Ruth and gave their four children his name. Driven by an extraordinary reserve of libidinous energy, H. L. loved sex well into his later years, but he did not regard his relationships with Frania and Ruth as mere love affairs. Rather, he very much intended them to produce children, because he believed he carried a “genius gene.” He felt that by fathering more children, he was doing the world a favor.

As if all that were not enough to live up to, Bunker had to compete for H. L.’s favor with his brother Hassie. The oldest of the Hunt sons, Hassie was his father’s physical likeness and his runaway favorite. Thanks to what H. L. regarded as a mystical ability to find oil, Hassie was a millionaire in his own right by the age of 21. A short time after that, however, he suffered an incapacitating mental breakdown. H. L. sent Hassie to every major treatment center in the country, then decided to risk what was considered the latest advance in psychiatry: a prefrontal lobotomy. The lobotomy calmed Hassie down, but he has been under 24-hour care ever since.

H. L. kept on looking for a new miracle cure and another Hassie. Disappointed on both counts, he took much of his frustration out on his next son, Bunker. When not simply ignoring him, the old man was often finding fault, bawling him out, belittling him. By the time Bunker had begun to work at Hunt Oil on a full-time basis, H. L. had let it be known that he thought his second son by Lyda was stupid and unfit to succeed him. The old man then shifted his favor to Bunker’s younger brothers, Herbert and Lamar.

While H. L.'s attitude was hardly fair, Bunker did not do much to impress anyone in his early years. After dropping out of college, he embarked on an ambitious international oil exploration program and promptly drilled \$11,000,000 worth of dry holes.

H. L. was not impressed. Appalled at Bunker's losses, he groused that he could find more oil with a road map than Bunker could find with a whole platoon of fancy geologists. But with a stubborn persistence that could only have been inherited, Bunker kept right on drilling in other overseas locations. Some \$250,000,000 worth of dry holes later, he finally hit in Libya. His find was known as the Sarir Field and its reserves were estimated at 11 to 13 billion barrels of oil. A little over half of that strike belonged to British Petroleum, but the rest was all Bunker's. Even at the then-depressed world price of about two dollars per barrel, his interest was worth up to five billion dollars, or about twice as much as H. L.'s fortune.

All of a sudden, Bunker, the unfavored son, was, at least on paper, the world's wealthiest private individual. As a practical matter, however, he was nearly broke. All the dry holes had decimated his trust income, and his Libyan find would not make up for it until pipelines could be built, a project that would take several more years. In the meantime, Bunker had no choice but to suffer the humiliation of turning to his still-skeptical father for a loan.

"Qaddafi nationalized Hunt's holdings, saying he wanted to give America 'a strong slap in the face.'

Eventually, though, Bunker's Libyan production did come on stream, and he commenced a series of worldwide business adventures culminating in his great silver play of 1979-1980. Yet with each new deal, he still seemed bent on proving that he was a moneymaker worthy of the family name. He also seemed determined to prove his allegiance to his father's brand of politics.

Some of Bunker's money giving consisted of regular \$5000 tithes to H. L.'s Facts Forum and Life Line foundations, which produced right-wing political messages once carried on more than 400 radio stations from coast to coast. But instead of jumping on the old man's bandwagon full time, Bunker found an alternative in the like-thinking John Birch Society. As its founder, Robert Welch, became a kind of surrogate political father, Bunker became the organization's largest contributor, with annual gifts now estimated to be in the \$250,000 range.

Like H. L., Bunker has been relatively stingy with his contributions to mainstream politicians. In 1968, however, he set up a secret \$1,000,000 trust fund to induce General Curtis LeMay to run as the Vice-Presidential candidate on the George Wallace ticket. He counts among his mainstream political friends Senator Jesse Helms of North Carolina and Senator Strom Thurmond of South Carolina and former Treasury Secretary John Connally.

Bunker's interest in silver began one day at the Hunts' Circle T ranch outside Dallas. The year was 1970 and Bunker was sitting in one of his favorite places, the kitchen, talking with a New York commodities broker named Alvin J. Brodsky. A short, excitable man, Brodsky had flown down to Texas to make what would turn out to be one of the most important sales pitches of his career. His method was simple but graphic. As the cattle grazed outside, Brodsky gestured at the items in the room, the tablecloth, the utensils, the food and he asked a single question: "Bunker, do you believe you're going to have to pay more for these things next year than you did this year?" Bunker allowed that he did. "Well, then," Brodsky said, "you should consider silver."

Simplistic as it may have sounded, Brodsky's pitch jibed perfectly with Bunker's financial situation and his total worldview. At the time, his Libyan oil venture had reached payout, and income was pouring in at a peak rate in the neighborhood of \$30,000,000 per year, all of it tax free. Bunker had to find a place to put it. However, both domestic and world oil prices were at "depressed" pre embargo levels of two and three dollars per barrel, and most of the so-called experts were saying that there were enough available foreign and domestic reserves to meet America's demands for decades. The per-ounce price of silver was also at a

low of about a dollar and a half, an even lower unit price than oil. But Bunker believed that silver might be in for an enormous increase in price.

The inflationary future Brodsky illustrated at the Circle T was one main reason. Bunker personally believed that inflation would grow worse. More generally, he believed that life on earth, politics, living standards and population was going to grow worse too, and he saw plenty of evidence to support his view: There was a war in Vietnam, turmoil in the Middle East and riots in American streets. In Libya, a left-wing radical named Colonel Muammar el-Qaddafi had recently deposed the king and was already making threatening gestures at Bunker and the other American oil operators there.

Even his own personal future looked perilous. A few months before his meeting with Brodsky, a massive embezzlement scandal erupted in his old man's HLH food products division. Bunker and Herbert were convinced that the culprits were their aging father's closest aides. Unable to convince H. L., they decided that the only way to get definitive proof was by wire tapping the suspects. In January of 1970, one of the private eyes the Hunts had hired to do the wire tapping was arrested for running a stop sign. Now the Hunts' wiretap caper was on the verge of exploding into the pre-Watergate era's most sensational bugging scandal.

Brodsky was not the only person who recommended silver. There were Bunker's former prep school roommate Ted Jansey and Dallas silver brokers Don and Scott Dial. As those and other silver bugs reminded Bunker, it was then illegal for Americans to buy gold. That left few attractive precious metal choices for a U. S. citizen who believed the world was going to hell in a hack. So shortly after hearing Brodsky's pitch, Bunker and Herbert began buying silver.

They bought slowly at first, making purchases in 5000 and 10,000 ounce "penny packets," mostly through Bache Halsey Stuart Shields, the commodities outfit with which Brodsky was associated. The total amount of those investments was only a few hundred thousand dollars, small change by Hunt standards. The initial results, however, were of the sort Bunker and his brother could readily appreciate. Between 1970 and 1973, silver rose to about three dollars an ounce.

Meanwhile, both the world situation and Bunker's personal situation worsened. In what turned out to be a prelude to the Arab oil embargo that fall, Qaddafi nationalized Bunker's Libyan holdings in May of 1973, announcing that he wanted to give America "a strong slap in the face." In January of that year, Bunker and Herbert were indicted for illegal wire-tapping. Charging that the Justice Department had reneged on a secret deal not to prosecute them, they claimed that the CIA had induced Justice to go ahead with the prosecution anyway because the agency was angered by Bunker's refusal to place an agent in his Libyan operations. They also alleged that Paul Rothermel, their father's former security chief, had been granted immunity from prosecution in the HLH food-embezzlement case because he was a Government agent spying on the family.

Nevertheless, the Justice Department continued to press its case against the Hunts. Bunker and Herbert were eventually indicted on charges of obstruction of justice for allegedly offering payments to their private eyes to keep their involvement in the wire tapping a secret.

With the world apparently crumbling all around him, Bunker decided to go heavily into silver. This time, he and his brother Herbert, aided by second family in-law Randy Kreiling, a commodities expert, began buying into the market with what would soon come to be known as the typical Hunt style. The key elements in their strategy were size, secrecy and surprise. Working through Bache and a variety of other brokers, they purchased not just penny packets but also millions and millions of ounces. Their first huge order was a 20,000,000-ounce December 1973 contract. Other big orders followed, and by early 1974, the Hunts had accumulated contracts totaling 55,000,000 ounces, or about seven to nine percent of the total estimated world supply. That gave them more silver than anyone on earth save the governments of a few countries and the silver exchanges themselves.

"Since the Hunts were taking delivery on their contracts, they had to put up roughly \$160,000,000."

Bunker and Herbert placed their orders with more than the usual concern for confidentiality. Secret buying strategies are common in the commodity futures markets, where leaks of a big purchase can send prices skyrocketing. But most silver traders trade only in paper, not actual metal. The Hunts, however, were taking delivery on their contracts, all 55,000,000 ounces' worth. That meant they had to put up roughly \$160,000,000 in cash. Taking delivery on all that silver also meant that they had to store it somewhere. And that, in turn, necessitated the second and more secret phase of their silver buying scheme.

Most of the details of the Hunts' great silver roundup are still secret, but sources familiar with the operation say it began with a shoot-out at the Circle K ranch. The property of H. L.'s second family, the Circle K is a 2500-acre spread located east of Dallas. As straw boss for the operation, Kreiling recruited a dozen cowboys from the Circle K by holding a shooting match to see who were the best marksmen. The winners received a special assignment: riding shotgun on the Hunts' hoard of silver.

With guns in hand, the Circle K cowboys flew up to New York aboard three chartered 707s. The planes came from a nationally known charter company, but the name of the firm was covered with tape so that the only visible identifying marks were the planes' registration numbers. The aircraft landed at La Guardia in the dead of night. A short time after their arrival, a convoy of armored trucks arrived from the New York Commodity Exchange warehouse. Inside were 40,000,000 ounces of silver bullion. The transfer took place almost wordlessly. There was no joking or grabassing, just serious loading. When the planes were full, the Cowboys climbed in and the pilots got clearance for takeoff. Their destination: Zurich.

Upon their arrival in Switzerland, the Hunt planes were met by another convoy of armored trucks. The cowboys and the armed guards transferred the silver from the planes to the trucks. Then the bullion was driven to six secret storage locations in Zurich. Five of them were in bank vaults, among them the vault of Credit Suisse. However, the Hunts' silver hoard was too much for the available bank vaults to handle. The excess bullion had to be stored in the coffers of a Swiss warehouse named Freidlager.

The costs of that transatlantic storage operation were enormous. Chartering the three 707s involved nearly \$200,000. On top of that, storage costs for silver ran on the average of a half Cent per ounce per month. For the 40,000,000 ounces stashed in Europe anti the 15,000,000 ounces still its exchange warehouses in Chicago and New Jersey, the annual storage charges amounted to some \$3,000,000. Still, flying the bullion to Switzerland was cheaper than taking it home to Texas, where the Hunts would have had to pay a four and-a-quarter percent franchise tax to the state. More important, having his silver locked away in Swiss banks added to what Bunker wanted out of the deal most of all: a sense of security about his wealth.

For all his precautions, Bunker could not keep his silver buying scheme a secret for long. In the spring of 1974, word hit the silver trading floors of the world that a mysterious Texan named Hunt had just taken delivery on more silver than any single buyer had purchased in recent memory. The price rose to over six dollars 'per ounce. Veteran traders were in a panic. Even as they frantically asked one another, "Who's Nelson Bunker Hunt" they whispered that the man was about to corner the market.

In most modern markets, talk of a corner would have been dismissed as just that, talk. The classic definition of a precious metals corner is when an individual holds enough bullion and enough futures contracts to have a virtual monopoly on the total supply, and thus effective control of the price of both bullion and futures, since anyone who wanted the metal would have to come to him. Few people or groups have the skill or the financial resources to pull one off. Indeed, the last time anyone cornered the silver market was when the Bank of England accomplished the feat in 1717. As the veteran traders knew, however, silver was potentially more vulnerable titan other commodities. Unlike gold, it has a wide range of industrial uses (most notably for photographic film), as well as a value in jewelry making. Annual production in 1974 was only about 245,000,000 ounces, while annual consumption was about 450,000,000 ounces. Exactly how much the total world supply amounted to was anybody's guess. Estimates ranged from 600,000,000 ounces to 800,000,000 ounces. Of that total, only 200,000,000 ounces was believed to be available for delivery

against silver futures contracts. While silver from tea sets, silverware and other sources had a way of coining out of the woodwork in times of high prices, many traders believed that it would take a lot less titan 200,000,000 ounces to corner the silver commodities market. But how much less? Had Bunker Hunt found the magic formula? Was he now ready to cash in?

In April of 1974, Bunker stopped in New York to visit the floor of the Commodity Exchange for the first time in his life. When he walked onto the floor, all activity came to a halt. The traders stopped what they were doing and simply stared at the overweight, spectacled Texan in the cheap blue suit. Later that day, Bunker granted a rare interview to a reporter from the financial journal Barron's. Although he politely refused to reveal the size of his silver holdings, Bunker did give the world a glimpse of his long term intentions. As he put it in typically twisted syntax, "Just about anything you buy, rather than paper, is better. You're bound to come out ahead, in the long pull. If you don't like gold, use silver, or diamonds or copper, but something. Any damn fool can run a printing press."

On November 29, 1974, H. L. Hunt died at the age of 85. His death prompted a three way family feud that would put the petty bickering of television's Ewing clan to shame. In his will, H. L. left all of his stock in Hunt Oil-about 80 percent of the company's shares-to his second wife, Ruth; and he named 31-year-old Ray L. Hunt, his son by Ruth as his sole independent executor.

While many of their friends thought the will was fair, Bunker and his siblings were furious. The first family had already inherited the bulk of H. L.'s billions through their trusts. Hunt Oil still serviced the accounts of the first family- owned companies such as Placid Oil and Penrod Drilling, but the oil and real-estate properties still technically a part of Hunt Oil amounted to only \$300000000, or about one tenth of what the first family had already gotten. Still, \$300,000,000 was \$300,000,000. What's more, the first family objected to the will on status grounds. They (did not like the second family and felt that the naming of their illegitimately born half brother as sole executor had bumped them into second place.

Finally, Bunker and Herbert informed Ray that the first family had decided to go their own separate way. Bunker and the others moved their offices from the Hunt Oil headquarters on the 29th floor of the First National Bank Building to the 25th floor. There they formed a new parent corporation called Hunt Energy.

Shortly after the first and second families split, Frania Tye Lee, the mother of H. L.'s third and still secret family, filed suit for a larger share of the estate. Her children filed a separate suit to be recognized as the legitimate heirs of H. L. Hunt. Her suit went to trial in Shreveport, Louisiana, Federal court in January 1978. After five days of sensational testimony, the families settled with Mrs. Lee for \$7,500,000. Before the final papers could be signed, Mrs. Lee's sons began objecting to the agreement. The matter is unresolved to this day.

Amid all that family feuding, Bunker faced the unsettling prospect of a jury trial for wire-tapping. No sooner had he formed Hunt Energy than he had to make contingency plans for running the family empire in the event of a conviction. He decided to take another stab at improving his silver position.

By this time, Bunker and Herbert had owned their 55,000,000 ounces for about a year, but the price was languishing around four dollars. Bunker still had confidence in the long-term outlook for the metal, but he was now in an ever tightening cash squeeze. He believed, however, that if he could get another big buyer to join him in the silver market, prices might begin to rise again, maybe even catch fire.

So in early March of 1975, Bunker left Dallas with a tourist-class plane ticket and high hopes of finding a kindred spirit in the Middle East. When he arrived in London, he and an aide changed to reserved first-class seats on a flight for Tehran. That was not usually Bunker's custom, flying first class, but on this particular day, he flew first class for a very good reason. When he arrived at the lariat airport, he was being met by his friend Maimed Reza Palaver, the shah's brother, and he wanted to make the best possible impression. He had a business proposal for the Iranians: He wanted them to buy silver.

Upon his arrival in Tehran, Bunker was ushered via chauffeur driven limousine to an appointment with the Iranian finance minister, Ansari. But despite his entree to the Palaver family, Bunker was unable to get a firm commitment from them to buy silver.

Choking and headachy from the Tehran smog, Bunker caught the next plane out, which happened to be bound for Zurich. Along the way, he decided that he might as well go on up to Paris and see his racehorses. Then he got another idea: Why not try the Saudis?

When he landed in Zurich, Bunker sent his aide to telephone the family's Middle East expert in New York. The expert's name was Benjamin Harrison Freedman. A friend and contemporary of Bunker's late father, Freedman was a longtime right-wing activist. As such, he was typical of the Hunt family's informal brain trust, an amazing assortment of mostly archconservative and often slightly eccentric wizards of sciences and pseudo sciences ranging from economics to climatology.

Freedman advised Bunker to slow down. All the Middle East was aware of his trip to Tehran. To fly right over to Saudi Arabia would only offend King Faisal by making him seem second to the shah. Freedman urged Bunker to fly back to the United States first, and he would then make an appointment for him to see the king in about two weeks. That way, Bunker could show the proper respect for the king by coming directly from his own home country.

Bunker followed Freedman's advice. A meeting was arranged for three weeks thence. Bunker went on to Paris to see his horses and flew back to the U. S. Then on March 25, King Faisal was assassinated.

Faisal's death and the Hunt Brothers' upcoming wire tapping trial brought Bunker's silver play to a halt. Grimly, he and Herbert completed their contingency plans for the worst. With the coaching of their attorney Phil Hirschkop, they also affected a reunion with the second family. When they arrived in Lubbock for the start of the trial, the two families were flashing beauty contest smiles, giving gush interviews to the press chatting with use locals like new neighbors and generally acting like the most harmonious collection of kinfolk in America.

When the trial began in September, the Hunts pleaded ignorance of the law. Their excuse was that a new wiretap statute had just gone into effect and the Watergate scandal had not occurred at the time of their alleged misdeeds. Secondly, the brothers claimed they had no evil intent in wire tapping only a desire to protect their aging father from the thieves within his empire. The jury bought it all and acquitted the brothers in record time.

Bunker's performance lived up to his best standards. Though visibly concerned before the trial, he actually dozed off at one point in the proceedings. After the trial, he was fully awake and noticeably relieved, and his first comment was to point up the exorbitant costs of Government harassment. In the five year legal battle leading to their acquittal, he and his brother had spent an estimated \$ 1,000,000 in legal fees. "If Herbert and I had been just ordinary people," Bunker observed. "We could have been in real trouble."

Following the wire tapping trial, Bunker was still in a cash squeeze and silver was still his biggest problem. But he refused to sell out or sit on the sidelines while other deals passed him by. Unable to get the price of silver to move, he decided to borrow against his bullion and invest that cash in other big commodity plays. Such a strategy involved a double risk: If silver kept declining and his other plays also failed, he would be in more of a pinch than ever. But then, big risks were just the thing that got the Hunt blood stirring. So, with his silver at a standstill, he hunched a family invasion of other commodities markets.

One was a lucrative but tempestuous bout in soybeans futures (in which Bunker was rightly accused by the Commodity Futures Trading Commission of violating the 3,000,000-bushel limit by any individual or group). The Hunts also began to focus on another area of the market. The initial object of the quest was sugar; the immediate target was Great Western United, the nation's largest sugar refiner. 'The deal had begun shortly before H. L.'s death as a spur of the moment \$3,000,000 stock investment. Then the Hunts

discovered that Great Western was plagued with management problems and, in late 1974, decided to buy 61 percent control of the company by laying out \$30,000,000 more. All of a sudden, the Hunts found themselves with a publicly owned corporation and all sorts of disclosure problems they had never had to put up with in the family's privately held enterprises. To make matters worse, the bottom dropped out of the sugar market during the first year of the takeover, and Great Western revenues declined some \$100,000,000.

Once again, Bunker turned to silver. Convinced that he could reverse some of Great Western's losses by getting the company into precious metals, he had it sell its sugar futures and start buying silver futures. By the spring of 1976, Great Western's trading company was out of all commodities except silver. Late that year, Great Western took delivery on some 20,000,000 ounces of bullion.

At that point, Bunker concocted one of his most cosmic schemes: a plan to trade that silver to the Philippines through Great Western. The Philippines would then send Great Western raw sugar for its refineries and exchange the silver for Saudi crude. With the Arabs into the silver market for \$100,000,000 worth, the price of silver would rise, Great Western would have sugar, the Philippines would have oil and all sides would be happy.

Herbert went over to the Philippines and got a favorable response from President Marcos. But the International Monetary Fund, which lent a great deal of money to the Philippines to buy crude, said it would not recognize silver as part of the country's national resources. In effect, the IMF ruling meant that the 20,000,000 ounces of bullion would be worthless in trying to get loans. With that, Bunker's scheme fell through. Great Western sold its bullion in early 1977 for \$88,500,000, thus offsetting a substantial part of the revenues lost due to the collapse of the sugar market. Still, the company continued to operate in the red.

After the sale, the Hunt brothers took Great Western out of the silver futures market, but not out of silver. Now they began using their newly acquired public company to go after one of the most precious of the precious metal prizes: the largest silver mine in America. Owning the nation's biggest silver mine would be like the crown on the Hunts' silver empire. As a working mine, it was a productive asset in its own right. What's more, its estimated reserves of over 30,000,000 ounces would give the Hunts a base lode in the U. S. to complement their stash in Europe. Finally, as the owners of an operating mine, they would qualify as commercial users of silver and would thus be exempt from the trading restrictions applicable to futures market speculators. Although that would later seem to be a most important benefit, it was a factor that the Hunts did not consider at the time or so they said.

Located near Kellogg, Idaho, the Big Creek mine was owned by a publicly traded company called Sunshine Mining. In the spring of 1977, Bunker and Herbert launched an attempt to take over Sunshine Mining through Great Western. Sunshine's management opposed the take-over, and a complicated flurry of litigation ensued. When the dust settled, the Hunt brothers emerged with 28 percent of the stock for \$19,500,000 and a settlement agreement stipulating that they could acquire the rest of Sunshine's stock at no less than \$15 a share, or about \$60,000,000. Thus assured that the nation's largest silver mine would soon be theirs, the Hunt brothers installed a lieutenant, G. Michael Boswell, the former president of Great Western United, by now renamed Hunt International Resources Corporation (HIRCO), as the new president of Sunshine. Bunker and Herbert then turned to other things-such as figuring out how to buy more silver.

Given what was happening in the world and the ever-increasing price of gold, Bunker was now convinced more than ever that the price of silver was destined to catch fire soon. Rather than ease his cash squeeze by selling off his bullion (a move that would make him miss out on any upcoming price Increases), he set out once again to find a silver buying partner.

This time, Bunker's share of the Hunt luck came through he got some interest from the Saudis. What first caught their attention was a letter Bunker sent to 50 wealthy Saudis in early 1978 explaining why he believed silver was bound for a big increase in price. According to sources familiar with the deal in the

making, however, the actual Hunt-Saudi connection came not from the letter but from the hand of the ubiquitous John Connally.

In February of 1978, just as he was gearing up for his Presidential race, Connally introduced Bunker to Sheik Khaled Ben Mahfouz, a Connally client and business partner whose family contacts the National Commercial Bank of Saudi Arabia in Jidda. Like most other wealthy Saudis, Mahfouz had connections to the royal family, but he was not royalty himself. Rather, as a sheik, not a prince, he was one of that class of Saudis who had risen to wealth at the pleasure and munificence of the king.

Connally and Mahfouz had established a symbiotic business relationship. Mahfouz had purchased an interest in the Main Bank in Houston, an institution in which Connally happened to own a financial stake. The man the sheik had purchased his interest from was Saudi wheeler-dealer Ghaith Pharaon. The flamboyant Pharaon was Mahfouz' friend and Connally's client, but he was also the new owner of a stake in Bert Lance's National Bank of Georgia. Connally feared that even a remote association with Lance would damage his Presidential hopes. Mahfouz bought out Pharaon's interest in the Main Bank to save embarrassment for Connally. About the same time, Connally acquired an interest in Mahfouz' bank in Saudi Arabia.

By bringing Bunker Hunt and Mahfouz together in the winter of 1978, Connally was performing one of his most fabled functions, that of deal maker. The introductory meeting took place in Washington after Bunker and Connally completed negotiations on a New Zealand deal the Hunts were in. No final commitment was made at the meeting, but plans were made to explore the deal further.

Then, just about the time a deal with the Saudis finally seemed to be in the offing, trouble developed back in Dallas. Ironically, part of the problem came from the fact that the price of silver finally began to move of its own accord. Responding at last to inflation and increases in other precious metal prices, silver rose from four dollars an ounce to six dollars an ounce by January 1979. Prices continued a slow but steady climb toward the eight dollar mark through the spring and early summer.

Meanwhile, G. Michael Boswell and the other young Hunt lieutenants in Sunshine Mining's management turned hostile to the scheduled Hunt takeover. Boswell and his men based their opposition on both personal and financial grounds. Complaining of heavy handed treatment by HIRCO's managers, the Sunshine men claimed that the \$15 per share takeover price mentioned in the settlement agreement with the Hunts was a floor, not a ceiling. Boswell and his group made it clear they thought the price for Sunshine was now too low in light of the recent trends in silver prices. They wrote Sunshine shareholders a strongly worded letter warning them, "Don't Give Sunshine Away."

To the Hunt brothers, the Boswell letter was an act of high treason. He was, after all, their fair-haired boy. A bitter round of accusations and litigation followed, with the Hunts unleashing their private eyes to poke into the private lives of Boswell and the other Sunshine boys. But Boswell's warning had its intended effect on Sunshine stockholders. After an unsuccessful tender offer, the Hunts finally dropped their takeover attempt and sold their shares in Sunshine back to a management trust. A few weeks later, they bought up the outstanding 40 percent of HIRCO still owned by the public and took the company private.

In losing Sunshine, the Hunts lost the great silver mine they had lusted for. But their most sensational silver play was only beginning. In the summer of 1979, just after the dust settled from the shootout over Sunshine Mining, Bunker and Herbert completed negotiations for their silver buying partnership with the Saudis. On July first, the partners incorporated a Bermuda based trading company called International Metals Investment Company, Ltd. The firm's registration listed four principals: Nelson Bunker Hunt, William Herbert Hunt, Sheik Mohammed Aboud Al-Amoudi and Sheik Ali Bin Mussalem. International Metals' purpose was to invest in gold, platinum and, most of all, silver.

The participation of the two sheiks apparently resulted from Bunker's Connally connection. Like their mutual friend Mahfouz, both Al-Amoudi and Mussalem were nouveau riche Arabs from Jidda. Both men

had made their money in real estate when the late King Faisal parceled out some of the land in the kingdom to allow sheiks outside the royal family to share in Saudi Arabia's prosperity. Sources familiar with the two sheiks indicate that Al-Amoudi was worth about \$300,000,000, while Mussalem was worth about \$100,000,000. Although such wealth made them rich men by most standards, it hardly put them in a league with the Hunts. What's more, by investing in silver, Al-Amoudi and Mussalem were defying conventional Saudi business wisdom, which held that investing in precious metals put petrodollars back in the hands of the West.

The equalizer, according to several accounts, was the sheiks' connection to the Saudi royal family. Known by conservative Arab financial men as high fliers, the two sheiks were not among the king's top advisors. However, both Al-Amoudi and Mussalem did know fellow Jidda resident Prince Faisal ben Abdallah al Saoud. Prince Faisal happened to be the son of Prince Abdallah, the commander of the Saudi National Guard and a member of the kingdom's ruling triumvirate. Like Bunker Hunt, Abdallah was a lover of fine horses and a billionaire many times over. He could definitely afford to play in the same game with the Hunts. But, like other highly placed Saudis, Abdallah did not like having his name openly connected with business ventures, especially controversial ones. Although neither Abdallah's nor Faisal's name at any time appeared on the registry of International Metals, several sources have suggested that they were the real money behind Al-Amoudi and Mussalem.

The exact size of the International Metals Investment partnership is still secret, but, as subsequent events would prove, it was large enough to buy over 90,000,000 ounces of silver bullion. At an average price of ten dollars an ounce, such a hoard could be purchased (on margin) via silver futures contracts for an initial cash outlay of some \$45,000,000. But to take delivery on the bullion, as the partners intended to do, some \$900,000,000 in cash would be required. As 50-50 partners with the Saudis, Bunker and Herbert would be responsible for putting up roughly \$450,000,000.

How, given their cash squeeze, did the Hunts plan on coming up with that kind of money? The answer is contained in the question. The Hunts had some money free from the sale of their Sunshine stock. More important, they also had the 42,000,000 ounces' worth of futures contracts they had been rolling forward for the preceding several months. Those contracts settled daily. For every dollar an ounce increase, another dollar an ounce was credited to the Hunts' cash accounts. Since the price of silver had been rising slowly but steadily since the first of the year, the Hunts were now building up sizable surpluses in their accounts. The value of the 55,000,000 ounces of bullion the brothers had bought back in 1973 and 1974 was also appreciating. With some 15,000,000 ounces of that bullion still stored in U. S. vaults, the Hunts also had handy collateral for cash loans. In effect, they could use their silver to buy more silver, literally pyramiding bars on top of bars.

Although the timing of their various loans is not clear as of this writing, it seems clear that the Hunt's received loans both for buying silver and later, for paying off some of their debts. One loan was for \$40,000,000 and was made by a syndicate including the Bache Group, Continental Illinois Bank and the Royal Bank of Canada. Another loan was for \$233,000,000 and was made by the First National Bank of Chicago, Irving Trust and eight other large banks. In addition, the New York branch of Swiss Bank lent the Hunts \$200,000,000 and Citibank lent \$17,500,000. While the conditions of those loans have yet to be made clear, they were apparently made in defiance of Federal Reserve Board chairman Paul Volckers request that banks not make loans for commodity speculation.

The Hunts formed a new subsidiary for their International Metals Investment partnership, calling it, appropriately enough, Profit Investment. They chose the name not only for the obvious meaning but also because of a long-lasting family superstition that names beginning with the letter P and containing six letters-names such as Placid and Penrod brought good luck.

The Hunt-Saudi silver buying began in mid-July, and began big. Working through both the Commodity Exchange (Comex) in New York and the Chicago Board of Trade (C.B.O.T.), the group purchased some 8600 silver futures contracts, the equivalent of 43,000,000 ounces. All of the contracts were due for delivery that fall.

About the time the Hunts and the Saudis started buying; several other big buyers entered the market, too. One was Naji Robert Nahas, a Lebanese Arab living in Brazil who owned 23 multinational companies and had made many millions speculating in coffee futures. Nahas and the other big purchasers were identified only by corporate front names and addresses in Geneva and the Bahamas. Like Nahas, those mysterious foreign buyers placed most of their buy orders through Conti Commodity Services; together, the Conti group got into the market for another 42,000,000 ounces' worth of silver futures contracts. Still other foreign buyers, many of them Kuwaitis and Bahrainis, also got into silver on the European exchanges via a company called Gulf Investment, which traded through the Arab consortium bank in Paris.

The identity of the new big buyers remained a secret through August and September, but what happened to the price of silver did not. Having risen slowly but steadily all year, the price suddenly jumped from eight dollars to over \$16 in only two months' time. Part of the price explosion was undoubtedly attributable to the voracious demand of the big buyers. But, as the CFTC itself later observed, the demand was also consistent with the worldwide demand for precious metals as a hedge against inflation and unstable politics. Gold prices had already been surging upward for months. Silver had remained relatively under priced, but was catching up. On October third, it closed at \$17.88 per ounce.

Both the Comex and the C.B.O.T. flew into a panic. Trading frenzied then dried up as small investors scrambled for cover amid rumors that the new big buyers included the Hunts. Exchange officials grew increasingly anxious. The big buyers kept buying futures, but they also kept taking delivery as their old contracts matured. The warehouses of the two exchanges held only 120,000,000 ounces of bullion, and that amount was traded in the month of October alone. The Hunt-Saudi partnership itself took delivery on some 40,000,000 ounces. Combined with the Hunts' earlier purchases, this gave the group ownership of 62 percent of the stock in the Comex warehouse and 26 percent of the stock in the Board of Trade's vaults. International Metals also traded some of its futures for another 28,000,000 ounces of silver not held by the U. S. exchanges' vaults. Conditions looked ripe for a "squeeze": that situation where there is simply not enough bullion available to meet the strict delivery terms of the contracts.

At that point, the CFTC and the officials of the two exchanges decided to have a little talk with the Hunts. Explaining that they feared a squeeze, the exchange officials asked them if they would consider selling some of their silver. The brothers' answer was no. What was more, they said, they intended to keep buying silver and to keep taking delivery on it. They thought silver was still a good buy, even at the new high prices. Besides, as Bunker put it with typical understatement. "If you sell, you get into a tax problem."

On top of all that, Bunker really did believe in silver as a long-term investment, the underpinnings of a new economy. He did not say that in so many words to the CFTC men and the exchange officials, but he did give them a glimpse of his basic apocalyptic vision when he revealed a previously undisclosed feature of his silver play: the fact that he was moving his metal to Europe. This time, he did not fly the bullion overseas in chartered jets with cowboy guards. As he told the CFTC, Bunker simply traded 9,000,000 ounces' worth of metal he held in Chicago and New York exchange warehouses for an equal amount of bullion held by other traders in London and Zurich. The reason? As he explained to the CFTC and the exchange officials, he feared that the U. S. Government might expropriate silver from Americans just as it had expropriated gold back in the Thirties.

But Bunker's assurances that he was willing to cooperate as much as possible apparently mollified the CFTC officials; the C.B.O.T., however, concluded that it was time to act. In a move aimed directly at the Hunts and the other big buyers, the Board of Trade raised the margin requirement and declared that silver traders would be limited to 3,000,000 ounces of futures contracts. Traders with more than that would have to divest themselves of their excess futures holdings by mid-February 1980.

With that, the battle lines were drawn. Bunker let it be publicly known that he thought the C.B.O.T. was changing the rules in the middle of the game, and vowed to fight the limits all the way. Privately, he regarded the C.B.O.T.'s action as another conspiracy against him by the Eastern establishment. And for once, he had a good *prima facie* case.

The boards of both the Chicago and the New York exchanges were composed not only of "outside" directors but also of representatives of the major, usually Eastern-based brokerage houses. Later testimony would reveal that nine of the 23 Comex board members held short contracts on 38,000,000 ounces of silver. With their 1.88 billion dollar collective interest in having the price go down, it is easy to see why Bunker did not view them as objective regulators. At the same time, though, the C.B.O.T. restrictions made Bunker even more bullish on silver, because, as he put it, "they show a silver shortage exists."

Bunker appeared to be right. Through November and December, the price of silver rose faster than ever. By the last day of 1979, the price reached an astronomical \$34.45 an ounce. Meanwhile, the Hunts' silver holdings kept increasing. By the end of December, the Hunts and their Arab partners held 90,300,000 ounces of bullion that the CFTC knew about and another 40,000,000 ounces the Hunts had stashed in Europe. The Hunt group also held about 90,000,000 ounces worth of silver futures, most of them due for delivery in March on the Comex in New York.

By this time, the CFTC became concerned that the silver positions held by the Hunts and the Conti group were "too large relative to the size of the U. S. and world silver markets." Subscribing to the philosophy that the futures market was not a substitute for the cash market, the commission determined that the time had come to stop Bunker's perverse buying spree. A meeting to decide what to do was set for January 8, 1980.

Then the Comex stepped in. On January seventh, the exchange announced new position limits restricting traders to no more than 10,000,000 ounces' worth of futures contracts. The effective date of the limits was set for February 18.

The day after the Comex announcement, the CFTC announced that it was backing the exchanges new limits.

Bunker was incensed. "I am not a speculator. I am not a market squeezer," he protested. "I am just an investor and holder in silver." Taking the offensive, he accused the exchanges and the Government of destroying the U. S. silver market by changing the rules in the middle of the game. "The market will move to Europe," he predicted ominously. "The silver market in this country is a thing of the past."

Strangely enough, the price of silver fell only one day in the wake of the Comex announcement, then started climbing even higher. Part of the reason for the continued price spiral, according to an after-the-fact analysis by the CFTC, was that Bunker kept buying silver. On January 14 and 16, the Hunts made agreements to take future delivery on 32,500,000 ounces of silver (mostly in London) at various dates that spring. The largest of those contracts were with Engelhard Minerals. On January 17, silver hit a record high of \$50 an ounce.

Bunker could hardly be incensed about that. On that one day, the worth of the Hunts' silver bullion holdings was nearly four and a half billion dollars. Since most of that silver had been acquired at less than ten dollars an ounce, they had a profit of over three and a half billion dollars. Bunker and Herbert had made nearly as much money in the past six months as their late father had made in his entire lifetime, at least on paper. Of course, if Bunker actually sold all that bullion, he would face enormous tax consequences. The trick now was to figure a way to utilize those huge gains without having them decimated by the taxman.

As Bunker pondered that, the exchanges decided to impose their most stringent restriction yet. On January 21, the Comex announced that trading would be limited to liquidation orders only. There would be no more futures buying. The game was closing down.

The next day, the price of silver plunged to \$34, a drop of ten dollars in a single day. It stabilized shortly after that, and remained in the mid to high 30s for the rest of the month. But in February, the price began to slide downward again. By that time, silver was literally coming out of the woodwork. In response to the new high prices, old ladies had been selling their tea sets. Families had been hocking their silverware. Coin

collectors had been divesting themselves of their collections. In January and February alone, an estimated 16,000,000 ounces of silver coins and an additional 6,000,000 ounces of scrap silver had come onto the market. With the price of silver now dropping, some of those small sellers and small investors began complaining to the CFTC about the exchange restrictions.

Bunker, meanwhile, remained as bullish as ever. "Why would anyone want to sell silver to get dollars?" he asked in amazement. "I guess they got tired of polishing it."

Prudently or not, Bunker practiced what he preached. In early February, the Hunts took delivery of 26,500,000 ounces of bullion from the Chicago exchange. That brought the brothers total group holdings (including their partnership with the Arabs and their European silver stash) to slightly over 155,000,000 ounces. Instead of selling his futures, most of which were set for delivery in March, Bunker simply rolled them forward into the months of May and September. He also bought a \$4,250,000 stake in Goldfield, a silver mining concern, and a six-and-a-half percent stake in his own silver broker, the Bache Group. In late February, the Hunts made headlines in Dallas for an unusual precious-metals-based employee-benefits package. The plan provided that Hunt employees could take their bonuses in silver, gold or cash, whichever was highest at the time the benefits were paid out. That was not the act of a man who believed the price of silver was going to crater.

Neither were the things Bunker was doing behind the scenes. In late February, with the price now hovering in the low 30s, Bunker began another global search for a silver buying partner. Despite the recent price slippages, the prospects looked good. The Kuwaitis and the Bahrainis in Gulf Investment had sold their silver near the top of the market for an estimated \$22,000,000 profit. Elated by their success, the group was ready to get back in the market again. They proposed a new venture in partnership with Bunker to be called Gulf Precious Metals. The intention of this new group was to raise another \$500,000,000 to buy more silver; of that total amount, Bunker would supply 10 to 20 percent.

There followed a series of meetings in Paris, the Persian Gulf States and Texas. One of the meetings took place in Dallas on February 26. Among those in attendance were Mario Araktingi, a Greek Arab who advises the Saudi royal family on investments; Mohammed Ishmael, a director of the Arab bank in Paris; Sheik Mahfouz, the Saudi banker and Connally client; and the Hunt brothers, Bunker and Herbert. After the gathering, the Arabs flew off to Bermuda, home base of International Metals, then turned around and went back to Dallas for another meeting with the Hunts.

Meanwhile, with the ready cash of Placid Oil, the Hunts were making several large nonmetal investments. Placid bought the oil reserves of a company called Bodcaw for \$190,000,000 in cash, and then purchased \$100,000,000 in stock in oil-rich Louisiana Land and Exploration Company. After that, Placid bought a 9.6 percent stake in coal-rich Gulf Resources and Chemical Corporation, and then announced a \$350,000,000 tender offer for the rest of the stock. Gulf Resources' board voted against the tender and the Hunts backed off.

Then rumors circulated that the Hunts had an even more prodigious takeover target: Texaco. Like cornering a modern market, taking over one of the Seven Sisters was almost too absurd for most people to think about. By one estimate, taking over the whole company would have cost ten billion dollars at prevailing market prices. Even the Hunts, with an estimated four billion dollars in paper profits in silver, would be hard pressed to make that kind of play. But by that time, it seemed like anything was possible for the Texas brothers. So, while the purchases of Texaco stock by Placid were never confirmed, the rumors continued to circulate.

At the same time, the price of silver continued to drop. On March third, it was at \$35.20 an ounce; but by March 14, it was down to \$21. One reason for the price drop was the rapidly spiraling interest rate; that not only strengthened the dollar but also raised the cost of buying on margin. Another reason was the fact that at January's \$50 price, there were fewer and fewer people left who could afford to buy silver. Still another

reason was the fact that world tensions had eased a bit-and the flight into precious metals as a haven from the apocalypse finally slowed.

For Bunker and his Arab partners, the continuing price drop spelled enormous trouble. It meant, for one thing, that the value of their already delivered silver bullion was decreasing rapidly. At \$21 an ounce, the Hunts' silver was worth nearly two billion dollars less than what it had been worth a few weeks before. That meant so much less collateral available for new silver buying loans. Even worse, the declining prices meant that the Hunts had to keep coming up with more cash margin money to maintain their futures positions, which were in the 60,000,000-ounce range. By late March, their margin calls at Bache were in excess of \$10,000,000 per day.

Still confident that silver prices would turn upward again, Bunker refused to sell out. But despite his optimism, prices continued to drop, and the margin calls continued to mount. Everything finally came to a head on March 25, 1980. Bache called Dallas that afternoon to inform the Hunts of a \$135,000,000 margin call. Herbert responded with a stunner:

"We can't make it."

The Bache people could hardly believe it. Had their biggest client reached the end of the rope? Still reeling from the thought of it, the Bache men told Herbert they would have to begin liquidating the Hunts' contracts. Herbert indicated that they should go ahead if that was 'what was required.

The next day, Bache sold off \$100,000,000 of Hunt bullion. It also contacted the CFTC. Bache told the commission that the Hunts' account carried equity of only \$90,000,000 and that the brothers would probably lose another \$86,000,000 in the next day's trading. Combined with other recent losses of \$40,000,000, that left a deficit in the Hunts' account of some \$36,000,000. More important as far as the rest of the world was concerned, it was the kind of news that raised the specter of a full-scale financial disaster. Word that the Hunts' losses had imperiled the stability of a major brokerage house could drive the market into a panic.

CFTC chairman James Stone sounded the alarm to the Government's financial heads of state. A short time later, fearing the worst, Stone, Volcker, SEC chairman Harold Williams and Deputy Treasury Secretary Robert Carswell began a round-the-clock silver market monitoring session.

That same day, Bunker suddenly turned up in Paris. At eight P.M. Paris time, which was two P.M. in New York, he released a remarkable announcement to the press via a Paris agency. His statement said that he and four Arab partners had acquired "more than 200,000,000 ounces of silver" and that the group was putting up its hoard to back the sale of silver bonds. The statement went on to say that the bonds would be distributed through "big European banks" (though it did not name any) and promised that the bonds would be in denominations of varying size, so as to attract small investors as well as large ones. Bunker's statement disclosed that his partners in the silver bonds venture were Prince Faisal bin Abdallah, Sheik Al-Amoudi, Mahmoud Fustok (a Saudi contractor and advisor to the prince) and Naji Nahas, the Brazilian Lebanese who had purchased silver with the Conti group.

The announcement carried a host of intriguing ramifications. On one level, it appeared that he had achieved his dream: the creation of his own separate economy. Just as the governments of the world had issued currencies by virtue of the metal they owned, Bunker and his Arab partners were now planning to issue their own "real" money, even as the governments of the world were now issuing paper with no metal behind it.

In reality, Bunker's announcement carried a far more desperate message. The silver bonds arrangements were obviously incomplete, or he would have been able to name the banks involved. With silver prices dropping and a personal financial debacle in the offing, Bunker was apparently making a last ditch confirmation of the fact that he was still bullish on silver.

The next day, Thursday, March 27, the silver market collapsed. The price of silver opened that day at \$15.80 per ounce. Then rumors started circulating that the Hunts had a one billion dollar margin call and they were not going to be able to meet it. Subsequent rumors said that Bache was on the verge of going under. The price of silver plummeted to 10.80 an ounce. The debacle spilled over into the stock market on the strength of an additional rumor that the Hunts were selling off huge stock shares in Louisiana Land. Gulf Resources and Texaco. The Dow Jones average dropped a staggering 25.43 points, hitting its lowest level in five years. It looked to many like the sky was falling.

About that time, a second wave of rumors hit the streets. The Hunts would be able to meet their margin call, after all. The price of silver remained at its \$10.80 level, but the stock market rallied incredibly. Bargain hunters and other buyers brought the Dow-Jones back up to only 2.14 points below the level at which it had begun the day.

Shock waves from the silver crash reverberated around the world. For the little guy, there was reason for rejoicing:

The break in silver prices was one of the first big price downturns in a long time. For investors who had gone short on silver, it was a time for raking in big profits. Armand Hammer, chairman of Occidental Petroleum, for one, reported a gain of \$119,000,000 in silver's slump. For investors who had followed the Hunts, there was reason for jumping out of windows: They lost millions that they could afford to part with far less easily than could Bunker and Herbert. But even for those who had remained on the sidelines, there was reason for grave concern. There had not been a day like Black Thursday since the Great Depression.

As the world press tried frantically to reach him, Bunker made himself unavailable for comment. Shortly after making his silver bonds announcement, he left Paris on a plane to Saudi Arabia to consult with his Arab partners. Having been billions ahead, he was now staring at billions in losses. The only thing he said before taking off was, "It'll all come out in the wash."

Bunker's prediction turned out to be more accurate than he might have wished. Instead of repeating Black Thursday's debacle, silver prices rallied to \$12 an ounce the next day. But Bunker and Herbert Hunt found themselves with some of the biggest losses in U. S. financial history. Since January, the value of their silver bullion had depreciated by nearly four billion dollars. Because most of that silver had been purchased at under ten dollars an ounce, they were actually still a little bit ahead on their bullion purchases. But they had taken a tremendous beating in the futures market and on silver contracts they had purchased when prices were in the \$35 an ounce range. The exact extent of the Hunts' troubles was hard even for them to determine, but it quickly became clear that their outstanding debts were in the one and a half billion dollar range, including a \$665,000,000 delivery contract with Englehard that they could not meet.

With much of their holdings pledged as collateral on loans that, in turn, had been used to buy silver, the Hunts and their bankers were in a double bind. The more the price went down, the more they owed, and the less their original collateral their silver was worth.

On the Sunday following Black Thursday, Bunker flew in from Saudi Arabia to meet with Herbert and the Englehard people in Dallas. Since Bunker was fatigued, Herbert did most of the talking, and most of what Herbert had to say sounded pretty grim. Among other things, he informed the Englehard men that the entire Hunts' silver was already pledged as collateral on loans, or, as he put it, was "all under water." Such a predicament might have seriously upset other mortals, but not Bunker Hunt. Confronted with his multibillion-dollar troubles, he simply observed, "a billion dollars isn't what it used to be."

Despite their ability to remain calm, the Hunts did not succeed in working out a deal with Englehard in Dallas. So that afternoon, they and the Englehard men flew to Boca Raton, Florida, where the heads of the nation's largest banks had gathered for a meeting of the Federal Reserve City Bankers Association. Volcker happened to be in town to give a speech to the association, and upon hearing of the Hunt Englehard

problem, allowed that he had no objection to their trying to negotiate a loan, despite his earlier disapproval of lending for commodity speculation purposes.

Through the night and into the wee hours of the morning, the Hunts and the Englehard men negotiated with the bankers. Volcker sat in on some of the talks and, at one point, even appeared with a shirt over his pajama top to check on the status of the negotiations. But even under the benign gaze of the Federal Reserve Board chairman, the bankers could not come to terms with the Hunts. The brothers' maze of debts, commitments and interlocking collateral was just too complicated. As one participant put it, "There were just too many loose ends."

Nevertheless, by the time the sun rose, the Hunts and Englehard had managed to reach an accommodation. Under the terms of the deal, the Hunts agreed to give Englehard 8,500,000 ounces of silver and a 20 percent interest in their Canadian oil properties in the Beaufort Sea. Although carried on the books as worth about \$275,000,000, the Beaufort Sea properties have a potential worth estimated at \$600,000,000 to \$750,000,000. But the wells there have yet to come on production and it may be years before they do. At this point, the Hunts just don't know how much their deal with Englehard will cost them.

With the completion of the Englehard agreement, negotiations for a loan to the Hunts picked up again. Fearing that the Hunts' inability to pay their silver debts might cause more major tremors in the nation's financial system, Fed chairman Volcker gave his tacit approval to a plan to bail the brothers out. Under the terms of the deal, a consortium of banks, including First National Bank of Dallas and Morgan Guaranty of New York, has agreed to lend 1.1 billion dollars to a partnership composed of the Hunt brothers and Placid Oil, the most viable entity under the Hunt family corporate umbrella. The partnership, in turn, will use the money to pay off the Hunt brothers silver debts.

The Hunts' loan does not come cheap. As collateral, Placid has mortgaged substantially all of its oil and gas properties in Louisiana and the Gulf of Mexico; those properties make up roughly one half of the company's six billion dollars in assets. In addition, Bunker and Herbert have contributed collateral in the form of 63,000,000 ounces of silver bullion and coal properties worth an estimated \$480,000,000. They have also agreed not to speculate in the silver market until the 63,000,000 ounces of silver they have contributed to the partnership have been sold off.

On top of all that, Bunker and Herbert have also had to make some costly internal family financing arrangements. Fearing that Placid, the family jewel, might be left holding the bag if silver prices declined further, the Hunt sisters insisted that the boys put up even more of their own property to secure Plaid's interest in the silver partnership. Along with their brother Lamar (who participated in the silver deal to a much lesser extent than his brothers), Bunker and Herbert have mortgaged their racehorses, furs, fine paintings, coin collections, jewelry and cars, as well as more oil and real estate properties. The bottom line is that in trying to prove themselves even greater moneymakers than their late father, the Hunt brothers have ended up putting the better part of the family empire in hock.

At this writing, the future of both Nelson Bunker Hunt and the silver market remains very much lip in the air. Many analysts believe that at \$12 - \$14 an ounce, silver is now drastically under priced. While prices may not shoot through the \$50 an ounce mark again any time soon, there is a good possibility they could climb back up to the \$20 - \$25 range. If that happens, the Hunts could easily pay off their silver debts and even wind up with some tidy profits.

On the other hand, if silver languishes or drops even lower, the Hunts could lose hundreds of millions more. In addition to worrying about the price, they have to pay interest on their 1.1 billion dollar loan at the rate of \$500,000 per day, which works out to more than \$180,000,000 per year. The Hunts also have to deal with a market that knows they must sell. Even if silver is going up in the long run, that selling will inevitably drive the price downward in the short term, and the market appears to be waiting for that to happen. Finally, the Hunts may well have to cope with even more silver than what they have put into the partnership with Placid. They claim that they have only 63,000,000 ounces left. But their huge purchases in

1973 and 1974 seem to have been lost in the calculations. The brothers may actually hold another 40,000,000 ounces of silver in their European stash. But as long as prices remain depressed, that extra sort does them little good.

Whether or not these dark clouds turn out to have a silver lining, it is more than likely that the brothers will be able to pay off their debts one way or another. The sheer size of their non silver holdings makes bankruptcy a most remote possibility. For Bunker, the worst part of all this is not his losses but the increasing amount of public disclosure and Government inquiry the Hunts have been subjected to in order to pay off their debts. According to his friends, the stress of these developments has caused Bunker's legs to sweat and even made him lose a little weight.

Yet, as one associate says, "For a man who has just lost billions, he looks remarkably calm but then, he's like that." Down but far from out, Bunker remains bullish on silver. He fully expects that prices will rise and that his financial situation will take care of itself. He also believes he may have grounds for a lawsuit against the commodities exchanges for changing the silver buying rules. As he put it in a recent appearance before a Congressional investigating committee, "The game is not over."

The people who know Bunker Hunt best don't doubt that for a minute.